

Tax Slabs for AY 2025-26***

- The Finance Act 2024 has amended the provisions of Section 115BAC w.e.f AY 2024-25 to make new tax regime the default tax regime for the assessee being an Individual, HUF, AOP (not being co-operative societies), BOI or Artificial Juridical Person. However, the eligible taxpayers have the option to opt out of new tax regime and choose to be taxed under old tax regime. The old tax regime refers to the system of income tax calculation and slabs that existed before the introduction of the new tax regime. In the old tax regime, taxpayers have the option to claim various tax deductions and exemptions.
 - In "**non-business cases**", option to choose the regime can be exercised every year directly in the ITR to be filed on or before the due date specified under section 139(1).
 - In case of eligible taxpayers having income from business and profession, new tax regime is default regime. If assessee wants to opt out of new tax regime, they can furnish Form-10-IEA on or before the due date u/s 139(1) for furnishing the return of income. Also, for the purpose of withdrawal of such option i.e. opting out of old tax regime shall also be done by way of furnishing Form No.10-IEA. **However, option to switch to old tax regime and withdraw the option in any subsequent AY is available only once in lifetime for eligible taxpayers having income from business and profession.**
1. Tax rates for Individual (resident or non-resident) less than 60 years of age anytime during the previous year are as under:

Old Tax Regime

New Tax Regime u/s 115BAC

Income Tax Slab	Income Tax Rate	*Surch arg e	Income Tax Slab	Income Tax Rate	*Su rch arg e
Up to ₹ 2,50,000	Nil	Nil	Up to ₹ 3,00,000	Nil	Nil
₹ 2,50,001 - ₹ 5,00,000**	5% above ₹ 2,50,000	Nil	₹ 3,00,001 - ₹ 7,00,000**	5% above ₹ 3,00,000	Nil
₹ 5,00,001 - ₹ 10,00,000	₹ 12,500 + 20% above ₹ 5,00,000	Nil	₹ 7,00,001 - ₹ 10,00,000	₹ 20,000 + 10% above ₹ 7,00,000	Nil
₹ 10,00,001- ₹ 50,00,000	₹ 1,12,500 + 30% above ₹ 10,00,000	Nil	₹ 10,00,001 - ₹ 12,00,000	₹ 50,000 + 15% above ₹ 10,00,000	Nil
₹ 50,00,001- ₹ 100,00,000	₹ 1,12,500 + 30% above ₹ 10,00,000	10%	₹ 12,00,001 - ₹ 15,00,000	₹ 80,000 + 20% above ₹ 12,00,000	Nil
₹ 100,00,001- ₹ 200,00,000	₹ 1,12,500 + 30% above ₹ 10,00,000	15%	₹ 15,00,001- ₹ 50,00,000	₹ 1,40,000 + 30% above ₹ 15,00,000	Nil

₹ 200,00,001- ₹ 500,00,000	₹ 1,12,500 + 30% above ₹ 10,00,000	25%	₹ 50,00,001- ₹ 100,00,000	₹ 1,40,000 + 30% above ₹ 15,00,000	10%
Above ₹ 500,00,000	₹ 1,12,500 + 30% above ₹ 10,00,000	37%	₹ 100,00,001- ₹ 200,00,000	₹ 1,40,000 + 30% above ₹ 15,00,000	15%
			Above ₹ ₹ 200,00,001	₹ 1,40,000 + 30% above ₹ 15,00,000	25%

1. How to Calculate Income Tax of a Salaried Employee??

The following are the steps to [calculate the income tax on salary](#):

Calculate your Gross Income

The following are the steps to calculate the gross income:

- The [gross salary](#) includes House Rent Allowance (HRA), [Leave Travel Allowance](#) (LTA), and Special Allowance, such as mobile reimbursements and food coupons
- Minus the exemptions from the salary component
- HRA can be claimed only if you submit valid rent receipts as proof in case you live in a rented house
- HRA is fully taxable if you stay your own accommodation or live with your parents
- The lowest of the following amount is calculated as tax exemption under [HRA](#):
 - Actual rent paid less than 10 % of the basic monthly salary
 - Employer provides the HRA
 - If the taxpayer is living in a metro city, 50% of the basic salary
 - If the taxpayer is living in a non-metro city, 40% of the basic salary
- Add other income apart from HRA to calculate the gross income

Remove Deductions and Determine your Next Taxable Income

The following are the deduction that can be availed by the taxpayer by investing in various savings schemes:

- Standard Deduction of Rs.50,000 can be availed by all without investing in any scheme for FY 2023-24. If you have opted for the new regime then you can claim a deduction of up to Rs.75,000 for FY 2024-25.
- Some other tax deductions are applicable under [Section 80C](#), such as:
- Taxpayers can claim up to Rs.1.50 lakh on various investment
- Investments applicable under Section 80C are [EPF](#) (Employees' Provident Fund), [Sukanya Smriddhi Yojana](#), ELSS (Equity Linked Savings Scheme), [PPF](#) (Public Provident Fund), [Mutual Funds](#), etc.

Determine the Net Taxable Income

Depending on the applicable [tax slab](#), you need to pay the tax on your total income which is determined by subtracting the eligible deductions from the gross taxable income.

The following is the tax rate for individual taxpayers less than 60 years old:

How to Calculate Income Tax on Salary with an Example

- The total of the basic wage, the HRA, the special allowance, the transport allowance, and any other benefits is income from salary. Your income may include tax-free benefits such [leave travel expenses](#) and phone bill reimbursement.

- Renters who receive HRA are eligible to make an HRA exemption claim. By using our [HRA Calculator](#), you can determine the HRA's exempt portion.

In addition to these exemptions, the 2018 budget also included a standard deduction of Rs. 40,000. This was raised to Rs 50,000 in the budget for 2019 and to Rs 50,000 more in the budget for 2023. During the Union Budget 2024, the maximum deduction one can claim if opted for New Regime is Rs.75,000.

A standard deduction of Rs 50,000 is also available in the event of a new administration. You won't be able to make use of these exemptions if you choose the new tax system.

Given below is an example of how tax calculation works under the New regime when compared to the old regime:

Example:1 (Assumptions)

Basis Salary: Rs.100,000 per month

HRA: Rs.50,000 per month

Special allowance: Rs.21,000 per month

Leave Travel Allowance: Rs.20,000 per year

Rent that is Paid: Rs.40,000 per month

Components	Amount	Deductions	Taxable amount under the old scheme	Taxable amount under the new scheme
Basis Salary	Rs.12,00,000	NA	Rs.12,00,000	Rs.12,00,000
Special Allowance	Rs.2,52,000	NA	Rs.2,52,000	Rs.2,52,000
HRA	Rs.6,00,000	Rs.3,60,000	Rs.2,40,000	Rs.6,00,000
LTA	Rs.20,000	Rs.12,000	Rs.8,000	Rs.20,000
Deductions (Standard)	NA	Rs.50,000	Rs.50,000	NA
Gross Income	NA	NA	Rs.16,50,000	Rs.20,22,000

In order to calculate income tax, the below-mentioned details must be included:

- Salary.
- Rental income or interest that is paid for a [home loan](#).
- Income from your profession, business, or freelancing.

- Income that is generated from selling shares or a house.
- Interest that is generated from a [fixed deposit](#) account, [savings account](#), or bonds.

Under the [new tax regime](#), several exemptions such as telephone bill reimbursement, investments made in savings instruments such as [PPF](#), [NPS](#), [EPF](#), etc., and [HRA](#) are not available.

If you receive Rs.8,000 in interest from your savings account and Rs.12,000 in interest from your fixed deposit each year. To reduce your income tax, you can make several investments.

Rs.50,000 invested in a PPF, Rs.20,000 in during the year.

If you then invested Rs.8,000 as LIC premium and Rs.12,000 has been paid as medical insurance, then following will be the tax deductions you will be eligible to enjoy.

Category	Maximum deduction allowed	Investment eligible	Amount claimable
Section 80C	Rs.1.5 lakh	ELSS, PPF, EPF, Premium on LIC	Rs.1.5 lakh
Section 80TTA	Rs.10,000	Interest on your savings account	Rs.8,000
Section 80D	Rs.25,000 for self, and Rs.50,000 for your parents	Premium on your medical insurance	Rs.12,000

3. Calculation of Gross Taxable Income under New Regime

The calculation of the gross taxable income under the new regime and the old regime are mentioned below:

Category	Amount	Total
Salary income	Rs.20.22 lakh	-
Income derived from other sources	Rs.20,000	-
Total gross income	-	Rs.20.42 lakh
Total amount taxable	-	Rs.3,25,104

This is how income tax will be calculated under New Regime for FY 2023-24

Up to Rs.3 lakh	Exempted from tax	Rs.0
More than Rs.3 lakh and up to Rs.6 lakh	5%	Rs.15,000
More than Rs.6 lakh and up to Rs.9 lakh	10%	Rs.30,000
More than Rs.9 lakh and up to Rs.12 lakh	15%	Rs.45,000
More than Rs.12 lakh and up to Rs.15 lakh	20%	Rs.60,000
More than Rs.15 lakh	30%	Rs.1,62,600
Cess	4% of total tax	Rs.12,504
Total amount taxable	-	Rs.3,25,104